

**REPORT OF THE AUDIT OF THE
CRITTENDEN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CRITTENDEN COUNTY FISCAL COURT

June 30, 2006

Romaine & Associates, PLLC has completed the audit of the Crittenden County Fiscal Court for fiscal year ended June 30, 2006.

The financial statements of Crittenden County Hospital, Inc., a discretely presented component unit, have been prepared under accounting principles generally accepted in the United State of America, which is inconsistent with the basis of accounting Crittenden County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit.

We have issued unqualified opinions, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Crittenden County, Kentucky.

Financial Condition:

The primary government had net assets of \$29,243,990 as of June 30, 2006. The fiscal court had unrestricted net assets of \$758,321 in its governmental activities as of June 30, 2006, with total net assets of \$29,240,582. In its business-type activities, total net cash and cash equivalents were \$3,408 with total net assets of \$3,408. The fiscal court's discretely presented component unit had net assets of \$6,841,468 as of September 30, 2006. The discretely presented component unit had net cash and cash equivalents of \$952,202. The fiscal court had total debt principal as of June 30, 2006 of \$763,933 with \$747,633 due within the next year. The discretely presented component unit had total debt principal as of September 30, 2006 of \$1,175,594 with \$268,035 due within the next year.

Deposits:

The primary government and component units' deposits were insured and collateralized by bank securities or bonds.

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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

Krista Romaine, CPA, Member
Charlotte Clark, Member

Romaine *and* Associates PLLC

William Erwin, CPA
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Fred Brown, Crittenden County Judge/Executive
Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Crittenden County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Crittenden County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Crittenden County Hospital, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Crittenden County Hospital, Inc., is based on the report of the other auditors. Those financial statements reflect 100% of assets and revenues of the discretely presented component unit opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

As described in Note 1, Crittenden County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of Crittenden County Hospital, Inc., a discretely presented component unit, of Crittenden County, Kentucky, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America, that are not presented in accordance with the modified cash basis.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Fred Brown, Crittenden County Judge/Executive
Members of the Crittenden County Fiscal Court

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In our opinion, based on our audit and the reports of the other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Crittenden County Hospital, Inc.'s financial statements have been prepared using the same basis of accounting as Crittenden County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Crittenden County, Kentucky, as of June 30, 2006, and the changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crittenden County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statement. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crittenden County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2007 on our consideration of Crittenden County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Krista L. Romaine, CPA

Krista L. Romaine, CPA
Romaine & Associates, PLLC

March 8, 2007

CRITTENDEN COUNTY OFFICIALS

For The Year Ended June 30, 2006

Fiscal Court Members:

Fred Brown	County Judge/Executive
Helen McConnell	Magistrate
Glenn Underdown	Magistrate
Percy Cook	Magistrate
Greg West	Magistrate
Dan Wood	Magistrate

Other Elected Officials:

Alan C. Stout	County Attorney
Rickey Riley	Jailer
Carolyn Byford	County Clerk
Madeline Henderson	Circuit Court Clerk
Wayne Agent	Sheriff
Ronnie Heady	Property Valuation Administrator
Terry Gilbert	Coroner

Appointed Personnel:

Roberta Shewmaker	County Treasurer
Sue Padget	Finance Officer

CRITTENDEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

CRITTENDEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	Primary Government			Crittenden
	Governmental	Business-Type		County Hospital
	Activities	Activities	Totals	9/30/2006
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 758,321	\$ 3,408	\$ 761,729	\$ 952,202
Patient Accounts Receivable, Net of Allowance \$537,042				1,820,457
Supplies				396,007
Prepaid Expenses and Other				404,004
Total Current Assets	<u>\$ 758,321</u>	<u>\$ 3,408</u>	<u>\$ 761,729</u>	<u>\$ 3,572,670</u>
Noncurrent Assets:				
Other Long-term Investments	\$	\$	\$	\$ 1,010,640
Assets Whose Use Is Limited				681,123
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	165,690		165,690	
Buildings	2,512,097		2,512,097	3,935,469
Other Equipment	130,326		130,326	
Vehicles and Equipment	459,423		459,423	
Infrastructure Assets - Net of Depreciation	25,978,658		25,978,658	
Other Assets				8,353
Total Noncurrent Assets	<u>\$ 29,246,194</u>	<u>\$</u>	<u>\$ 29,246,194</u>	<u>\$ 5,635,585</u>
Total Assets	<u>\$ 30,004,515</u>	<u>\$ 3,408</u>	<u>\$ 30,007,923</u>	<u>\$ 9,208,255</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$	\$	\$	\$ 269,812
Accrued Expenses				283,841
Payable To Employees (Including payroll taxes and benefits)				559,036
Current Maturities of Long-term Debt	747,633		747,633	268,035
Estimated Amounts Due To Third-Party				78,504
Total Current Liabilities	<u>\$ 747,633</u>	<u>\$</u>	<u>\$ 747,633</u>	<u>\$ 1,459,228</u>
Noncurrent Liabilities:				
Long-term Debt, Net of Current Portion	\$ 16,300	\$	\$ 16,300	\$ 907,559
Total Noncurrent Liabilities	<u>\$ 16,300</u>	<u>\$</u>	<u>\$ 16,300</u>	<u>\$ 907,559</u>
Total Liabilities	<u>\$ 763,933</u>	<u>\$</u>	<u>\$ 763,933</u>	<u>\$ 2,366,787</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2006
(Continued)

	Primary Government			Crittenden County Hospital 9/30/2006
	Governmental Activities	Business-Type Activities	Totals	
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	\$ 28,482,261	\$	\$ 28,482,261	\$ 3,442,879
Unrestricted	758,321	3,408	761,729	3,398,589
Total Net Assets	<u>\$ 29,240,582</u>	<u>\$ 3,408</u>	<u>\$ 29,243,990</u>	<u>\$ 6,841,468</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CRITTENDEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 791,874	\$ 136,772	\$ 39,091	\$ 80,278
Protection to Persons and Property	387,936	37,748	85,052	131,692
General Health and Sanitation	14,862	7,375	2,580	
Social Services	4,082			
Recreation and Culture	21,919			
Roads	1,158,814		1,754,089	320,276
Other Transportation Facilities and Services	522,775			
Interest on Long-term and Short-term Debt	27,310			
Total Governmental Activities	\$ 2,929,572	\$ 181,895	\$ 1,880,812	\$ 532,246
Business-type Activities:				
Jail Canteen	120	1,998		
Total Business-type Activities	\$ 120	\$ 1,998	\$ -	\$ -
Total Primary Government	\$ 2,929,692	\$ 183,893	\$ 1,880,812	\$ 532,246
Component Unit:				
Crittenden County Hospital, Inc.	14,958,215	\$ 15,149,951	\$	\$
Total Component Units	\$ 14,958,215	\$ 15,149,951	\$	\$

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Gain on Sale of Equipment

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Crittenden County Hospital 9/30/2006
Governmental Activities	Business-Type Activities	Totals	
\$ (535,733)	\$	\$ (535,733)	\$
(133,444)		(133,444)	
(4,907)		(4,907)	
(4,082)		(4,082)	
(21,919)		(21,919)	
915,551		915,551	
(522,775)		(522,775)	
(27,310)		(27,310)	
\$ (334,619)	\$	\$ (334,619)	\$
	1,878	1,878	
\$ -	\$ 1,878	\$ 1,878	\$
(334,619)	1,878	(332,741)	\$
			\$ 191,736
			\$ 191,736
\$ 292,969	\$	\$ 292,969	\$
7,046		7,046	
60,196		60,196	
75,803		75,803	
35,962		35,962	
6,419		6,419	59,274
33,887		33,887	
12,816		12,816	
\$ 525,098	\$	\$ 525,098	\$ 59,274
\$ 190,479	\$ 1,878	\$ 192,357	\$ 251,010
29,050,103	1,530	29,051,633	6,590,458
\$ 29,240,582	\$ 3,408	\$ 29,243,990	\$ 6,841,468

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

CRITTENDEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 97,537	\$ 361,742	\$ 38	\$ 207,207
Total Assets	<u>\$ 97,537</u>	<u>\$ 361,742</u>	<u>\$ 38</u>	<u>\$ 207,207</u>
FUND BALANCES				
Unreserved:				
General Fund	\$ 97,537	\$	\$	\$
Special Revenue Funds		361,742	38	207,207
Total Fund Balances	<u>\$ 97,537</u>	<u>\$ 361,742</u>	<u>\$ 38</u>	<u>\$ 207,207</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
 BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 June 30, 2006
 (Continued)

Non- Major Funds	Total Governmental Funds
\$ 91,797	\$ 758,321
<u>\$ 91,797</u>	<u>\$ 758,321</u>

\$ 91,797	\$ 97,537
<u>91,797</u>	<u>660,784</u>
<u>\$ 91,797</u>	<u>\$ 758,321</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 758,321
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	39,445,898
Accumulated Depreciation	(10,199,704)
Short-term and Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(763,933)</u>
Net Assets Of Governmental Activities	<u>\$ 29,240,582</u>

CRITTENDEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CRITTENDEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
REVENUES				
Taxes	\$ 436,013	\$	\$	\$
Excess Fees	35,962			
Licenses and Permits	29,063			
Intergovernmental	273,321	1,381,278	76,514	171,577
Charges for Services			32,709	
Miscellaneous	6,776	551,475	2,627	103,500
Interest	1,396	2,242	221	1,609
Total Revenues	<u>\$ 782,531</u>	<u>\$ 1,934,995</u>	<u>\$ 112,071</u>	<u>\$ 276,686</u>
EXPENDITURES				
General Government	\$ 318,666	\$	\$	\$ 10,000
Protection to Persons and Property	56,333	13,716	242,541	7,600
General Health and Sanitation	2,862			12,000
Social Services				4,082
Recreation and Culture	9,019			12,900
Roads		549,899		660
Other Transportation Facilities and Services		522,775		
Debt Service	106,381	206,013	86,421	
Capital Projects	104,048	609,787	284,824	
Administration	273,289	66,378	38,692	3,829
Total Expenditures	<u>\$ 870,598</u>	<u>\$ 1,968,568</u>	<u>\$ 652,478</u>	<u>\$ 51,071</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (88,067)</u>	<u>\$ (33,573)</u>	<u>\$ (540,407)</u>	<u>\$ 225,615</u>
Other Financing Sources (Uses)				
Proceeds From Sale of Capital Assets	\$	\$ 193,422	\$	\$
Financing Obligation Proceeds	21,702	375,000	355,000	
Transfers From Other Funds	353,823	60,194	192,500	
Transfers To Other Funds	(192,500)	(303,823)	(6,844)	(103,350)
Total Other Financing Sources (Uses)	<u>\$ 183,025</u>	<u>\$ 324,793</u>	<u>\$ 540,656</u>	<u>\$ (103,350)</u>
Net Change in Fund Balances	\$ 94,958	\$ 291,220	\$ 249	\$ 122,265
Fund Balances - Beginning-(Restated)	2,579	70,522	(211)	84,942
Fund Balances - Ending	<u>\$ 97,537</u>	<u>\$ 361,742</u>	<u>\$ 38</u>	<u>\$ 207,207</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 For The Year Ended June 30, 2006
 (Continued)

Non- Major Funds	Total Governmental Funds
\$	\$ 436,013
	35,962
	29,063
	1,902,690
	32,709
	664,378
953	6,421
<u>\$ 953</u>	<u>\$ 3,107,236</u>
\$	\$ 328,666
1,106	321,296
	14,862
	4,082
	21,919
	550,559
	522,775
	398,815
	998,659
2,272	384,460
<u>\$ 3,378</u>	<u>\$ 3,546,093</u>
<u>\$ (2,425)</u>	<u>\$ (438,857)</u>
\$	\$ 193,422
	751,702
	606,517
	(606,517)
<u>\$</u>	<u>\$ 945,124</u>
\$ (2,425)	\$ 506,267
94,222	252,054
<u>\$ 91,797</u>	<u>\$ 758,321</u>

**CRITTENDEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2006

CRITTENDEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance-
Governmental Funds to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	506,267
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Assets disposed of, Net Book Value		(180,606)
Capital Outlay		998,659
Depreciation Expense		(753,644)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Proceeds		(751,702)
Financing Obligation Principal Payments		<u>371,505</u>

Change in Net Assets of Governmental Activities	\$	<u><u>190,479</u></u>
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CRITTENDEN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

CRITTENDEN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

	Business-Type Activities - Enterprise Fund
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 3,408
Total Current Assets	<u>\$ 3,408</u>
 Total Assets	 <u>\$ 3,408</u>
 Net Assets	
Unrestricted	\$ 3,408
Total Net Assets	<u><u>\$ 3,408</u></u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CRITTENDEN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	Business-Type Activities - Enterprise Fund
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 1,998
Total Operating Revenues	<u>\$ 1,998</u>
Operating Expenses	
Educational and Recreational	\$ 120
Total Operating Expenses	<u>\$ 120</u>
Operating Income (Loss)	<u>\$ 1,878</u>
 Change In Net Assets	 \$ 1,878
Total Net Assets - Beginning	1,530
Total Net Assets - Ending	<u><u>\$ 3,408</u></u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CRITTENDEN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 1,998
Educational and Recreational	\$ (120)
Net Cash Provided By Operating Activities	\$ 1,878
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,878
Cash and Cash Equivalents - July 1	1,530
Cash and Cash Equivalents - June 30	\$ 3,408
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 1,878
Net Cash Provided By Operating Activities	\$ 1,878

The accompanying notes are an integral part of the financial statements.

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CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of Crittenden County Hospital, Inc., a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Crittenden County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Discretely Presented Component Units

The component unit's column in the combined financial statements include the data of the following organizations. This is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Crittenden County Hospital, Inc.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Crittenden County Fiscal Court has the authority to appoint a voting majority of the Crittenden County Hospital, Inc.'s governing board. The Crittenden County Hospital is engaged in providing medical care in the Crittenden County area. The Crittenden County Hospital, Inc. fiscal year ends September 30, therefore, the information provided is as of and for the year ended September 30, 2006.

Audited financial statements for the Crittenden County Hospital, Inc., a discretely presented component unit, may be requested by contacting the Crittenden County Hospital, Inc., PO Box 386, Marion, Kentucky 42064.

C. Crittenden County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Crittenden County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Crittenden County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Governmental Economic Assistance Fund - The primary purpose of this fund is to account for general health and sanitation, social services, and economic assistance expenses of the county. The primary sources of revenue are state grants, coal, and mineral severance taxes, landfill user fees, and recreational area user fees. The Governor's Office of Local Development requires the fiscal court to maintain these receipts and expenditures properly.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: E-911 Board Fund and E-911 Wireless Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, E-911 Board Fund, and E-911 Wireless Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit:

Crittenden County Hospital, Inc.

The component unit is presented in a separate column on the Statement of Net Assets and the Statement of Activities to emphasize this organization's separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 1,000	3-25
Vehicles	\$ 1,000	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved *considered* available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Crittenden County Hospital, Inc. (discretely presented component unit) funds are not budgeted by the county. The Governor's Office of Local Development does not require the County to report or budget these funds.

The Governor's Office of Local Development does not require the County to budget the Jail Canteen Fund.

J. Jointly Governed Organizations

A regional government or other multi-government arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility are considered to be jointly governed organizations. Based upon these criteria, the following is considered to be jointly governed organizations of the Crittenden County Fiscal Court: The Marion-Crittenden County Industrial Development Authority and the Crittenden-Livingston County Water District.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits

A. Deposits

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. Crittenden County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits of the primary government were covered by FDIC insurance or a properly executed collateral security agreement. As of September 30, 2006, all deposits of the Crittenden County Hospital, Inc. were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Short-term Debt – Primary Government

A. Trucks

In June 2005, the Crittenden County Fiscal Court entered into a one year agreement with the Kentucky Development Districts Financing Trust for the purpose of financing the purchase of two trucks. The issue amount of the lease was \$180,000 with an interest rate of 2.25 percent. This lease agreement was rolled into a new agreement on June 1, 2006 in the amount of \$185,000 with an interest rate of 4.00 percent.

In June 2006, the Crittenden County Fiscal Court entered into a one year agreement with the Kentucky Development Districts Financing Trust for the purpose of financing the purchase of two trucks. The issue amount of the lease was \$190,000 with an interest rate of 4.20 percent.

B. Kentucky Association of Counties Leasing Trust Program (KaCoLT)

In June 2005, the Crittenden County Fiscal Court entered into a short term borrowing agreement with the Kentucky Association of Counties Leasing Trust for a road project. The amount of issue was \$100,000 with an interest rate of 4.25 percent. Principal in the amount of \$100,000 and interest in the amount of \$873 were paid October 2005.

C. Jail Detention Facility

In August 2004, the Crittenden County Fiscal Court entered into a short-term note agreement with Farmers Bank & Trust Company for the purpose of financing the purchase of land for the construction of a new facility. The amount of issue was \$62,500 with an interest rate of 4.75 percent. Principal of \$62,500 and interest of \$3,996 were paid December 2005.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 3. Short-term Debt – Primary Government

C. Jail Detention Facility (continued)

In November 2005, the Crittenden County Fiscal Court entered into a short-term bond anticipation note with the Kentucky Development Districts Association of Counties Leasing Trust for a jail project. The bond anticipation note was issued in the amount of \$355,000 at an interest rate of 3.50 percent. Principal and interest are due November 2006.

D. Changes in Short-term Debt – Primary Government

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
KADD-2005-1570	\$ 180,000	\$	\$ 180,000	\$
KACO-COLT	100,000		100,000	
Farmer's Bank	62,500		62,500	
KADD-2005-182V		355,000		355,000
KADD-2006-213J		190,000		190,000
KADD-2006-213I		185,000		185,000
Governmental Activities				
Short-term Debt	<u>\$ 342,500</u>	<u>\$ 730,000</u>	<u>\$ 342,500</u>	<u>\$ 730,000</u>

Interest on Short-term Debt

Interest on Short-term Debt on the Statement of Activities includes \$24,693 in interest on financing obligations.

Note 4. Line of Credit – Discretely Presented Component Unit

The Crittenden County Hospital, Inc. periodically borrows funds from banks to finance capital assets acquisitions and construction on an interim basis. The line of credit, with a maximum borrowing of \$355,000, bears interest at 6.35 percent, is secured by the accounts receivable of the Hospital and matures in May 2006. As of September 2006, the line of credit was defeased.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 112,500	\$ 53,190	\$	\$ 165,690
Total Capital Assets Not Being Depreciated	\$ 112,500	\$ 53,190	\$	\$ 165,690
Capital Assets, Being Depreciated:				
Buildings	\$ 5,278,100	\$ 231,634	\$	\$ 5,509,734
Other Equipment	404,348	82,346		486,694
Vehicles and Equipment	2,056,661	311,213	(200,430)	2,167,444
Infrastructure	30,796,060	320,276		31,116,336
Total Capital Assets Being Depreciated	38,535,169	945,469	(200,430)	39,280,208
Less Accumulated Depreciation For:				
Buildings	\$ (2,906,976)	\$ (90,661)	\$	\$ (2,997,637)
Other Equipment	(324,020)	(32,348)		(356,368)
Vehicles and Equipment	(1,614,682)	(113,163)	19,824	(1,708,021)
Infrastructure	(4,620,206)	(517,472)		(5,137,678)
Total Accumulated Depreciation	\$ (9,465,884)	\$ (753,644)	\$ 19,824	\$ (10,199,704)
Total Capital Assets, Being Depreciated, Net	\$ 29,069,285	\$ 191,825	\$ (180,606)	\$ 29,080,504
Governmental Activities Capital Assets, Net	\$ 29,181,785	\$ 245,015	\$ (180,606)	\$ 29,246,194

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 78,748
Protection to Persons and Property	66,640
Roads, Including Depreciation of General Infrastructure Assets	608,256
Total Depreciation Expense - Governmental Activities	\$ 753,644

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Capital Assets (Continued)

Capital asset activity for discretely presented component units for the year ended June 30, 2006 was as follows:

Crittenden County Hospital, Inc.

A discretely presented major component unit.

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 30,000	\$	\$ (6,000)	\$ 24,000
Land	69,408		(25,000)	44,408
Total Capital Assets Not Being Depreciated	\$ 99,408	\$	\$ (31,000)	\$ 68,408
Capital Assets, Being Depreciated:				
Land Improvements	\$ 423,712	\$	\$ (1,766)	\$ 421,946
Buildings and Leasehold Improvements	5,716,325	11,967	(246,170)	5,482,122
Equipment	11,826,554	484,737	(1,664,324)	10,646,967
Total Capital Assets Being Depreciated	\$ 17,966,591	\$ 496,704	\$ (1,912,260)	\$ 16,551,035
Less Accumulated Depreciation For:				
Land Improvements	\$ (389,219)	\$ (7,523)	\$ 545	\$ (396,197)
Buildings and Leasehold Improvements	(3,558,852)	(186,183)	49,828	(3,695,207)
Equipment	(9,570,772)	(557,189)	1,535,391	(8,592,570)
Total Accumulated Depreciation	\$ (13,518,843)	\$ (750,895)	\$ 1,585,764	\$ (12,683,974)
Total Capital Assets, Being Depreciated, Net	\$ 4,447,748	\$ (254,191)	\$ (326,496)	\$ 3,867,061
Capital Assets, Net	\$ 4,547,156	\$ (254,191)	\$ (357,496)	\$ 3,935,469

Depreciation expense was charged to functions of the discretely presented major components units as follows:

Crittenden County Hospital, Inc.	\$ 750,895
Total Depreciation Expense-Component Unit	\$ 750,895

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt – Primary Government

A. Road Grader

On February 8, 2002, the Crittenden County Fiscal Court entered into an agreement with Brandeis Machinery and Supply Company for the purchase of a road grader for the county road department. The issue amount of the lease was \$108,900 with an interest rate of 5.34 percent. Principal and interest payments are made monthly. The principal balance of \$13,936 and interest of \$252 was paid in February 2006.

B. Detention Center Facility

The Crittenden County Fiscal Court entered an agreement with the Kentucky Development Districts Financing Trust on November 19, 1997 for the purpose of financing renovations to the Crittenden County Detention Facility. The issue amount of the lease was \$88,000 with an interest rate of 6.24 percent. Principal and interest payments are made twice each year during November and May. The principal balance of the lease as of June 30, 2006 was \$16,900.

The following is a summary of the remaining principal and interest requirements as of June 30, 2006:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 11,100	\$ 883
2008	5,800	181
Totals	<u>\$ 16,900</u>	<u>\$ 1,064</u>

C. Sheriff's Vehicle

The Crittenden County Fiscal Court assumed an agreement with Ford Motor Credit from the Crittenden County Sheriff's department collateralized by a 2006 Ford Explorer in November 2005. The balance assumed was \$21,702 issued at an interest rate of 5.55 percent and payable on a quarterly basis effective November 2005. As of June 30, 2006 the principal was \$17,033.

The following is a summary of the remaining principal and interest requirements as of June 30, 2006:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2007	\$ 6,533	\$ 811
2008	6,903	441
2009	3,597	75
Totals	<u>\$ 17,033</u>	<u>\$ 1,327</u>

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt – Primary Government (Continued)

D. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	<u>41,236</u>	<u>21,702</u>	<u>29,005</u>	<u>33,933</u>	<u>17,633</u>
 Governmental Activities Long-term Liabilities	 <u>\$ 41,236</u>	 <u>\$ 21,702</u>	 <u>\$ 29,005</u>	 <u>\$ 33,933</u>	 <u>\$ 17,633</u>

Interest on Long-term Debt

Interest on Long-term Debt on the Statement of Activities includes \$2,616 in interest on financing obligations.

Note 7. Long-term Debt – Discretely Presented Component Unit

A. Notes Payable

This Obligation consists of two notes payable secured by certain equipment. The notes are due in 2010 with an interest rates imputed at 6.50 percent. The debt service requirements as of September 30, 2006, are as follows:

<u>Fiscal Year Ended September 30</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest & Fees</u>
2007	\$ 155,612	\$ 24,726
2008	162,379	17,959
2009	169,611	10,727
2010	<u>133,231</u>	<u>3,061</u>
Totals	<u>\$ 620,833</u>	<u>\$ 56,473</u>

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 7. Long-term Debt – Discretely Presented Component Unit (Continued)

B. Capital Lease Obligation

The hospital is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at September 30, 2006, totaled \$ 168,100, net of accumulated depreciation of \$46,197. The following is schedule by year of future minimum lease payments under the capital lease including interest rates of 6 percent to 9.25 percent together with the present value of the future minimum lease payments as of September 30, 2006:

<u>Fiscal Year Ended</u> <u>September 30</u>	<u>Interest</u>
2007	\$ 58,287
2008	17,738
2009	9,536
2010	1,626
Total minimum lease payments	\$ 87,187
Less amount representing interest	6,103
Present value of future minimum lease payments	<u>\$ 81,084</u>

C. Note Payable – AIK

This note payable is due January 7, 2011, with principal and interest 6.00 percent payable monthly. The note is secured by substantially all of the Hospital's assets. The debt service requirements as of September 30, 2006, were as follows:

<u>Fiscal Year Ended</u> <u>September 30</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 29,072	\$ 7,583
2008	30,865	5,790
2009	32,769	3,886
2010	34,790	1,865
2011	12,068	150
Totals	<u>\$ 139,564</u>	<u>\$ 19,274</u>

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 7. Long-term Debt – Discretely Presented Component Unit (Continued)

D. Note Payable to Bank

This note payable to bank is due June 16, 2015, with principle and interest at 6.25 percent payable monthly. The note is secured by all accounts receivable. The debt service requirements as of September 30, 2006, were as follows:

Fiscal Year Ended September 30	Component Unit	
	Principal	Interest
2007	\$ 29,636	\$ 20,039
2008	31,491	18,184
2009	33,568	16,107
2010	35,727	13,948
2011	38,025	11,650
2012-2015	165,666	20,614
Totals	\$ 334,113	\$ 100,542

E. Changes In Long-term Debt – Discretely Presented Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Component Unit</u>					
Notes Payable to Vendors	\$ 770,106	\$	\$ 149,273	\$ 620,833	\$ 155,612
Note Payable to Bank		355,090	20,977	334,113	29,636
Note Payable - AIK		158,001	18,437	139,564	29,072
Capital Lease Obligations	130,313		49,229	81,084	53,715
Total Long-term Liabilities	\$ 900,419	\$ 513,091	\$ 237,916	\$ 1,175,594	\$ 268,035

Interest on Long-term Debt

Interest on Long-term Debt on the Statement of Activities includes \$68,623 in interest on financing obligations.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

The Crittenden County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2006, Crittenden County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 11. Transportation Grant

The Ohio River Ferry Authority, Incorporated through the Crittenden County Fiscal Court obtained a grant from the Kentucky Transportation Cabinet to provide for the operations of a ferry service across the Ohio River between Crittenden County, Kentucky and Hardin County, Illinois. On November 8, 1994, the Ohio River Ferry Authority, Incorporated entered into an agreement with Cave-In-Rock Ferry Company, Incorporated to operate the ferry service. Grant receipts for the fiscal year were \$522,775.

Note 12. Prior-Period Adjustment – Primary Government

The Road Fund balance of \$70,522 has been adjusted to include prior year voided checks in the amount of \$60 for prior period adjustment. Beginning net assets of governmental activities has also been restated by \$60 as well.

Note 13. Subsequent Events - Bond Anticipation Note

The Crittenden County Fiscal Court entered into a Bond Anticipation Note on August 1, 2006 in the amount of \$6,705,000 issued at an interest rate of 4.200 percent due August 1, 2009. The Bond Anticipation Note is for the purpose of constructing a new Crittenden County Jail Detention Facility located in Marion, Kentucky.

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2006

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2006

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 444,500	\$ 444,500	\$ 436,013	\$ (8,487)
Excess Fees	26,000	26,000	35,962	9,962
Licenses and Permits	67,900	67,900	29,063	(38,837)
Intergovernmental	55,530	150,905	273,321	122,416
Charges for Services	1,100	1,100		(1,100)
Miscellaneous	7,700	7,700	6,776	(924)
Interest	1,000	1,000	1,396	396
Total Revenues	\$ 603,730	\$ 699,105	\$ 782,531	\$ 83,426
EXPENDITURES				
General Government	\$ 304,066	\$ 424,118	\$ 318,666	\$ 105,452
Protection to Persons and Property	44,590	62,113	56,333	5,780
General Health and Sanitation	57,000	16,058	2,862	13,196
Recreation and Culture	14,500	9,019	9,019	(0)
Debt Service		100,873	106,381	(5,508)
Capital Projects			104,048	(104,048)
Administration	389,279	292,630	273,289	19,341
Total Expenditures	\$ 809,435	\$ 904,811	\$ 870,598	\$ 34,212
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	\$ (205,705)	\$ (205,706)	\$ (88,067)	\$ 117,639
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	\$ 5,000	\$ 5,000	\$	\$ (5,000)
Transfers From Other Funds	202,951	202,952	353,823	150,871
Transfers To Other Funds	(180,000)	(152,246)	(192,500)	(40,254)
Borrowed Money			21,702	21,702
Total Other Financing Sources (Uses)	\$ 27,951	\$ 55,706	\$ 183,025	\$ 127,319
Net Changes in Fund Balance	\$ (177,754)	\$ (150,000)	\$ 94,958	\$ 244,958
Fund Balance - Beginning	150,000	150,000	2,579	(147,421)
Fund Balance - Ending	\$ (27,754)	\$	\$ 97,537	\$ 97,537

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,466,006	\$ 1,466,006	\$ 1,381,278	\$ (84,728)
Miscellaneous	526,204	533,579	551,475	17,896
Interest	1,500	1,500	2,242	742
Total Revenues	\$ 1,993,710	\$ 2,001,085	\$ 1,934,995	\$ 66,090
EXPENDITURES				
Protection to Persons and Property	\$ 18,000	\$ 25,375	\$ 13,716	\$ 11,659
Transportation Facilities and Services	8,700	8,809		8,809
Roads	1,460,500	1,550,976	549,899	1,001,077
Other Transportation Facilities and Services	524,204	524,204	522,775	1,429
Debt Service			206,013	(206,013)
Capital Projects	1,600	1,965	609,787	(607,822)
Administration	148,001	76,805	66,378	10,427
Total Expenditures	\$ 2,161,005	\$ 2,188,134	\$ 1,968,568	\$ 219,566
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	\$ (167,295)	\$ (187,049)	\$ (33,573)	\$ 153,476
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$	\$	\$ 60,194	\$ 60,194
Transfers To Other Funds	(202,951)	(202,951)	(303,823)	(100,872)
Borrowed Money			375,000	375,000
Proceeds from Sale of Capital Assets			193,422	193,422
Total Other Financing Sources (Uses)	\$ (202,951)	\$ (202,951)	\$ 324,793	\$ 527,744
Net Changes in Fund Balance	\$ (370,246)	\$ (390,000)	\$ 291,220	\$ 681,220
Fund Balance - Beginning (Restated)	390,000	390,000	70,522	(319,478)
Fund Balance - Ending	\$ 19,754	\$ (0)	\$ 361,742	\$ 361,742

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 56,111	\$ 70,111	\$ 76,514	\$ 6,403
Charges for Services	31,000	31,000	32,709	1,709
Miscellaneous	6,500	6,500	2,627	(3,873)
Interest	200	200	221	21
Total Revenues	\$ 93,811	\$ 107,811	\$ 112,071	\$ 4,260
EXPENDITURES				
Protection to Persons and Property	\$ 192,485	\$ 242,550	\$ 242,541	\$ 9
Debt Service		338,644	86,421	252,223
Capital Projects	12,000	35,914	284,824	(248,910)
Administration	67,326	42,722	38,692	4,030
Total Expenditures	\$ 271,811	\$ 659,830	\$ 652,478	\$ 7,352
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	\$ (178,000)	\$ (552,019)	\$ (540,407)	\$ (3,092)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 180,000	\$ 205,000	\$ 192,500	\$ (12,500)
Transfers To Other Funds			(6,844)	(6,844)
Borrowed Money		347,019	355,000	7,981
Total Other Financing Sources (Uses)	\$ 180,000	\$ 552,019	\$ 540,656	\$ (11,363)
Net Changes in Fund Balance				
Fund Balance - Beginning	\$ 2,000	\$	\$ 249	\$ 249
			(211)	(211)
Fund Balance - Ending	\$ 2,000	\$ 0	\$ 38	\$ 38

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 500	\$ 500	\$	\$ (500)
Intergovernmental Revenue	118,000	238,142	171,577	(66,565)
Miscellaneous			103,500	103,500
Interest	1,500	1,500	1,609	109
Total Revenues	<u>\$ 120,000</u>	<u>\$ 240,142</u>	<u>\$ 276,686</u>	<u>\$ 36,544</u>
EXPENDITURES				
General Government	\$ 10,000	\$ 10,000	\$ 10,000	\$
Protection to Persons and Property	8,800	8,800	7,600	1,200
General Health and Sanitation	12,200	12,200	12,000	200
Social Services	1,100	4,082	4,082	-
Recreation and Culture	14,900	14,900	12,900	2,000
Roads	65,000	96,650	660	95,990
Administration	70,000	290,010	3,829	286,181
Total Expenditures	<u>\$ 182,000</u>	<u>\$ 436,642</u>	<u>\$ 51,071</u>	<u>\$ 385,571</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (62,000)</u>	<u>\$ (196,500)</u>	<u>\$ 225,615</u>	<u>\$ (349,027)</u>
OTHER FINANCING SOURCES (USES)				
Lease and Rentals	\$	\$ 103,500	\$	\$ (103,500)
Transfers To Other Funds		25,000	(103,350)	(128,350)
Total Other Financing Sources (Uses)	<u>\$</u>	<u>\$ 128,500</u>	<u>\$ (103,350)</u>	<u>\$ (231,850)</u>
Net Changes in Fund Balances	<u>\$ (62,000)</u>	<u>\$ (68,000)</u>	<u>\$ 122,265</u>	<u>\$ 190,265</u>
Fund Balances - Beginning	<u>68,000</u>	<u>68,000</u>	<u>84,942</u>	<u>16,942</u>
Fund Balances - Ending	<u>\$ 6,000</u>	<u>\$ 0</u>	<u>\$ 207,207</u>	<u>\$ 207,207</u>

CRITTENDEN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**CRITTENDEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2006

CRITTENDEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

	911 Board Fund	911 Wireless Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 52,738	\$ 39,059	\$ 91,797
Total Assets	<u>\$ 52,738</u>	<u>\$ 39,059</u>	<u>\$ 91,797</u>
FUND BALANCES			
Unreserved:			
Special Revenue Funds	\$ 52,738	\$ 39,059	\$ 91,797
Total Fund Balances	<u>\$ 52,738</u>	<u>\$ 39,059</u>	<u>\$ 91,797</u>

CRITTENDEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

CRITTENDEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

	911 Board Fund	911 Wireless Fund	Total Non-Major Governmental Funds
REVENUES			
Interest	\$ 662	\$ 291	\$ 953
Total Revenues	<u>\$ 662</u>	<u>\$ 291</u>	<u>\$ 953</u>
EXPENDITURES			
Protection to Persons and Property	\$ 1,093	\$ 13	\$ 1,106
Administration		2,272	2,272
Total Expenditures	<u>\$ 1,093</u>	<u>\$ 2,285</u>	<u>\$ 3,378</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (431)</u>	<u>\$ (1,994)</u>	<u>\$ (2,425)</u>
Net Change in Fund Balances	\$ (431)	\$ (1,994)	\$ (2,425)
Fund Balances - Beginning	53,169	41,053	94,222
Fund Balances - Ending	<u>\$ 52,738</u>	<u>\$ 39,059</u>	<u>\$ 91,797</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Krista Romaine, CPA, Member
Charlotte Clark, Member

Romaine *and* Associates PLLC

William Erwin, CPA
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Fred Brown, Crittenden County Judge/Executive
Members of the Crittenden County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented components unit, each major fund, and the aggregate remaining fund information of Crittenden County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 8, 2007. Wherein we issued a qualified opinion on the discretely presented component unit and made reference to the report of other auditors. Crittenden County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The audit of the Crittenden County Hospital, Inc. a discretely presented component unit, was not conducted in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crittenden County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weakness.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Crittenden County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of material noncompliance or other matter that is required to be reported under Government Auditing Standards.

1011 Paris Road - Suite 341 - P.O. Box 488 - Mayfield, Kentucky 42066

Phone: 270-247-8050

Fax: 270-247-7749

AICPA KSCPA TSCPA

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Krista L. Romaine, CPA

Krista L. Romaine, CPA
Romaine & Associates, PLLC

March 8, 2007

**CERTIFICATE OF COMPLIANCE-
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CRITTENDEN COUNTY FISCAL COURT


**For The Fiscal Year Ended
June 30, 2006**

Appendix A

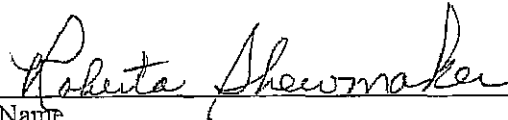
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CRITTENDEN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2006

The Crittenden County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer